

Local Water Done Well

Elected Member Roadshow
Water Services Delivery Plan

Purpose of Presentation

- Update Elected Members on LWDW and final partners for our Water Services Organisation (WS-CCO)
- Inform Elected Members of progress made on the Water Services Delivery Plan (WSDP)
- Explain the components of the joint WSDP
- Outline the Implementation Plan, including the key decisions required over the coming 12 months
- Outline the requirements of the Collaboration Agreement.

What is the question we are asking?

- Do you have any feedback?
- Do you have any further questions about the WSDP before Officers return for the WSDP to be approved on **13 August**?

Water Services Delivery Plan

What is the Water Services Delivery Plan?

- Required under the 'Local Waters Done Well' reform programme initiative
- Joint plan – HDC, PNCC and RDC
- Outlines how water services will be managed and delivered
- A one-off compliance document.

Key WSDP considerations:

- Ringfencing
- Financial sustainability

Revenue sufficiency	Investment sufficiency	Financing sufficiency
<ul style="list-style-type: none"> • Summary of water services revenue sources; how rates, fees and/or charges are set; how revenue setting reflects the costs of service; and whether depreciation is fully funded. • Explanation of how the revenue from water services will be separated from the council's other functions and activities. • Description of the projected charges per connection and projected water services charges as a percentage of median household income. • Completion of and commentary on financial ratios: <ul style="list-style-type: none"> ○ Operating surplus ratio – whether operating revenues cover operating expenses ○ Operating cash ratio – the amount of cash that is generated from revenues after deducing cash expenses. 	<ul style="list-style-type: none"> • Commentary on whether the proposed level of investment is fundable and deliverable, including any funding or deliverability constraints. • Summary of the level of investment required over the Plan period. • Description of how investment is funded between new borrowings, revenue and other sources. • Completion of and commentary on financial ratios: <ul style="list-style-type: none"> ○ Asset sustainability ratio – how renewals investment compares to depreciation ○ Asset investment ratio – how total investment compares to depreciation ○ Asset consumption ratio – what the percentage remaining useful life of water infrastructure assets, on average. 	<ul style="list-style-type: none"> • Description of the source of borrowings, borrowing limits and key borrowing terms. • Borrowing projections over the Plan period and comparison to current borrowing limits. • Describe how debt allocated to water services was determined. • Completion of and commentary on financial ratios: <ul style="list-style-type: none"> ○ Net debt to operating revenue for water services, at the all-of-council level ○ Borrowing headroom/(shortfall) against borrowing limit ○ Free funds from operations to net debt.

Overview of Plan Sections

Part A: Overview of water services delivery, delivery model and implementation plan

- Sets out the journey we have collectively travelled to land with the Horowhenua, Palmerston North and Rangitīkei partnership
- Overview of water services delivery and delivery model
- Sets out the high level implementation plan including key dates:
 - 1 July 2026 legal establishment completed
 - 1 July 2027 WS-CCO operational
- Commitment to ensure meaningful recognition of kaitiakitanga and participation of Iwi within governance, management and operational structure of the WS-CCO.

Draft Implementation Plan

Phase 1:

1 July 2025-30 June 2026

Councils' preparations

- Collaboration Agreement signed by Council Chief Executives
- Project team and governance structures in place
- Completion of Water Services Delivery Plan
- Agreement by Councils on what assets they propose to continue to own and how they will be serviced and funded
- Agreement by Councils on involvement of Iwi in the structure of the CCO
- Foundational documents completed:
 - Constitution
 - Shareholders' Agreement
- Location of CCO headquarters arranged
- CCO registered as a company
- Appointment of directors (TBC if Establishment Board)
- Appointment of interim CCO Chief Executive

Phase 2:

1 July 2026 – 30 June 2027

CCO legally established

- 12-month establishment phase
- TBC Appointment of Directors (beyond Establishment Board)
- Councils continue to deliver and fund three waters services until 30 June 2027
- Shareholders issue its (interim) Statement of Expectations (by 31 December 2026)
- First Water Services Strategy and associated charging regime prepared (by 30 June 2027)
- First annual budget (for 2027/28) adopted by 30 June 2027
- Employment of Council staff confirmed following offers from the individual Chief Executives⁵
- Shared services arrangements with the Councils confirmed to enable Day 1 operation.
- Councils confirm holders of current contracts required on Day 1 are willing to be novated for the CCO (and arrange that)
- Transfer agreements (as prescribed in legislation) adopted by resolution of the Councils for 30 June 2027 execution.
- Borrowing covenant for the CCO agreed with LGFA (to take effect from 1 July 2027)
- Transfer of debt agreed with the Councils (including that related to transition costs incurred by them)
- Any other actions required to ensure successful transition on Day 1.

Phase 3:

1 July 2027

CCO Operational

- CCO delivers three waters services as set out in transfer agreements and service agreements with Councils and executes borrowing covenant with the LGFA
- CCO is responsible for regulatory compliance (and paying levies imposed by those agencies).
- Shareholders issue a Statement of Expectations
- Preparation of business systems to allow withdrawal of Shared Services from the Councils (with anticipated completion in five years)
- First half-yearly report (1 July-31 December 2027) by 29 February 2028
- Second annual budget adopted by 30 June 2028 (for 2028/29 financial year) by 30 June 2028
- Confirm full financial sustainability by 30 June 2028
- Significance and engagement policy (by 30 June 2028)
- First assessment of communities' access to drinking water, stormwater and wastewater services by 31 August 2028
- First annual report (for 2027/28 financial year) by 30 September 2028
- First trade waste discharge plan (if delegated by the Councils) by 30 June 2029
- First stormwater risk management plan (in collaboration with the Councils) by 30 June 2030
- Consider (in discussion with the Councils) preparing a separate development contributions policy or having one or more the Council's policy extend to the CCO.

Part B: Network performance

- Records information for each Council to enable a common understanding
- Much of this section outlines the figures for the area serviced by the Councils, their current levels of service and asset condition, and regulatory compliance.

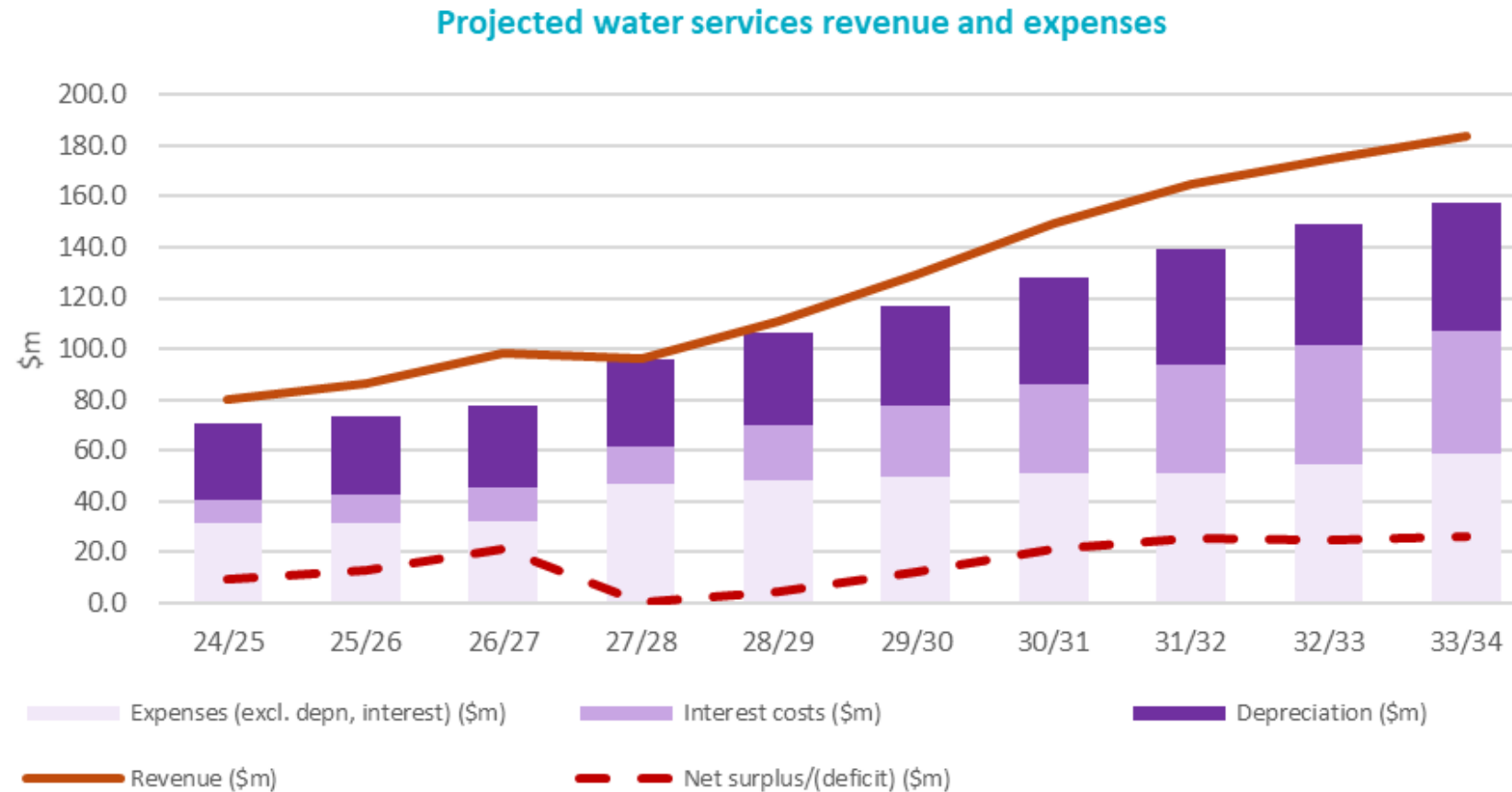
Part C: Revenue and financing arrangements

- Revenue and charging arrangements
- Funding and financing arrangements.

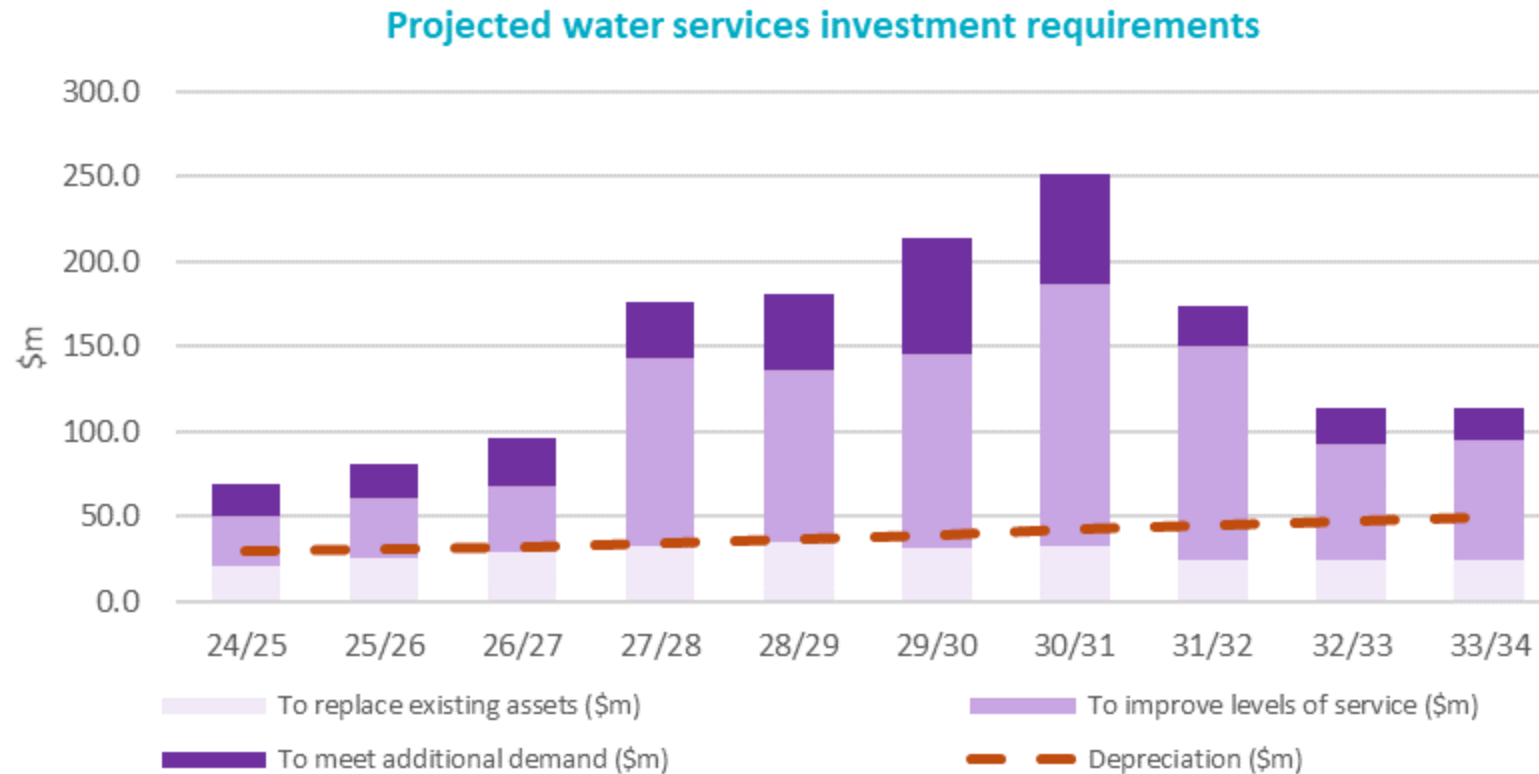
Part D: Financial sustainability assessment

- Plans must include an explanation of what a Council proposes to do to ensure that the delivery of water services will be financially sustainable by 30 June 2028
- This section shows the combined council WS-CCO view of financial sustainability, and utilises the modelling undertaken by Morrison Low.

Part D: Revenue Sufficiency

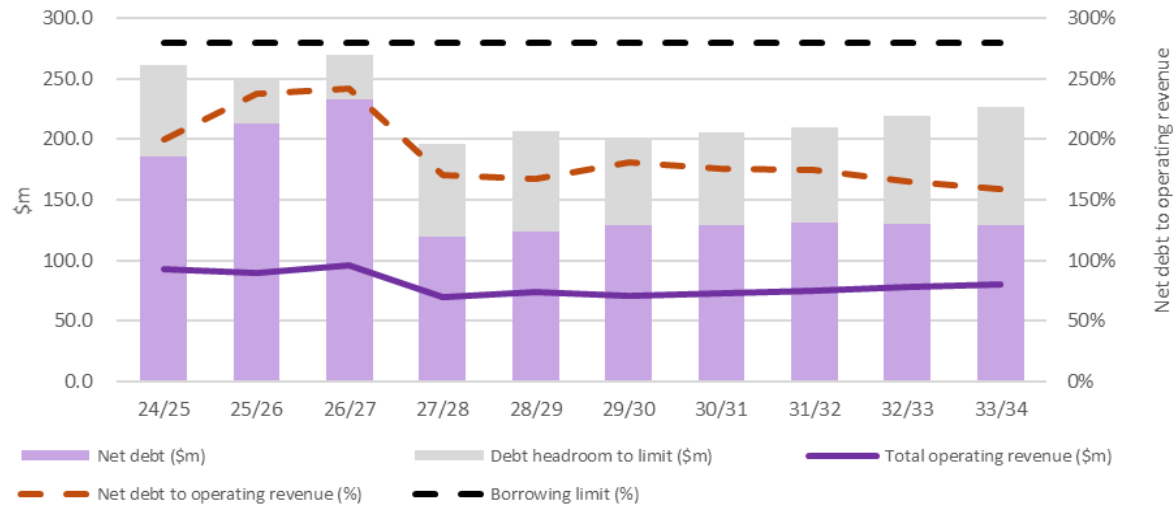


Part D: Investment Sufficiency

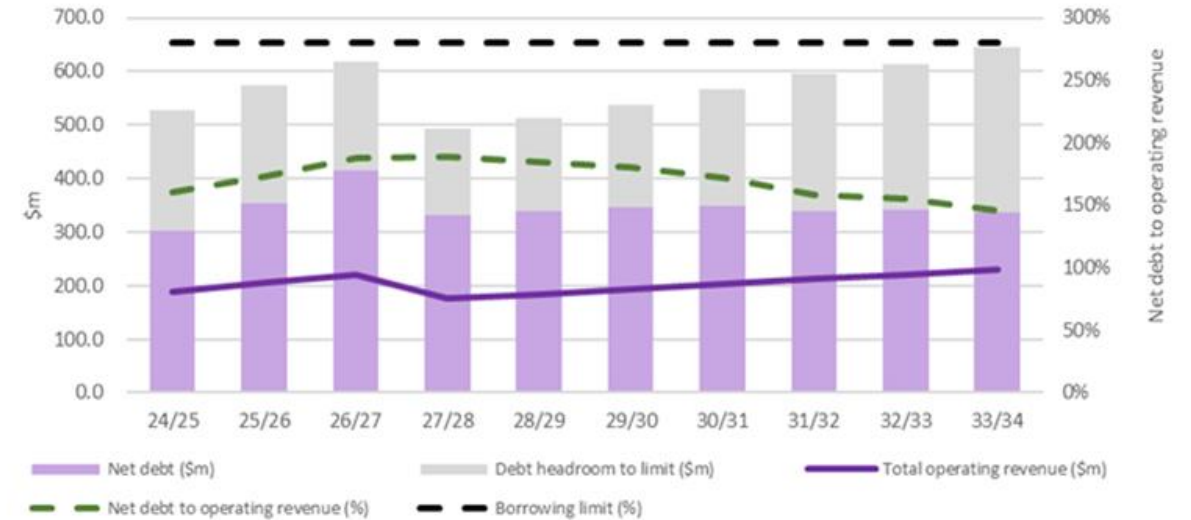


Part D: Financing Sufficiency

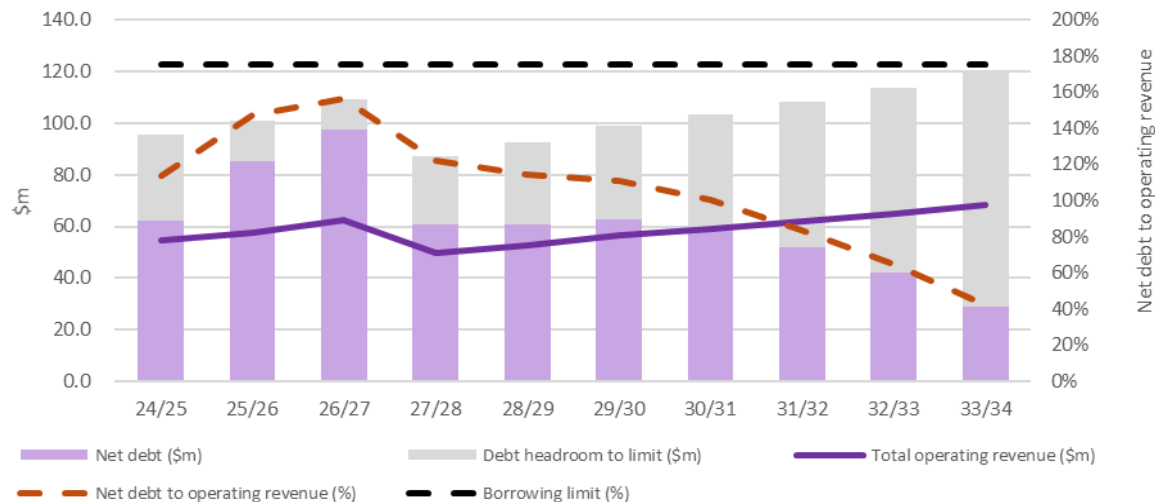
Projected council net debt to operating revenue - HDC



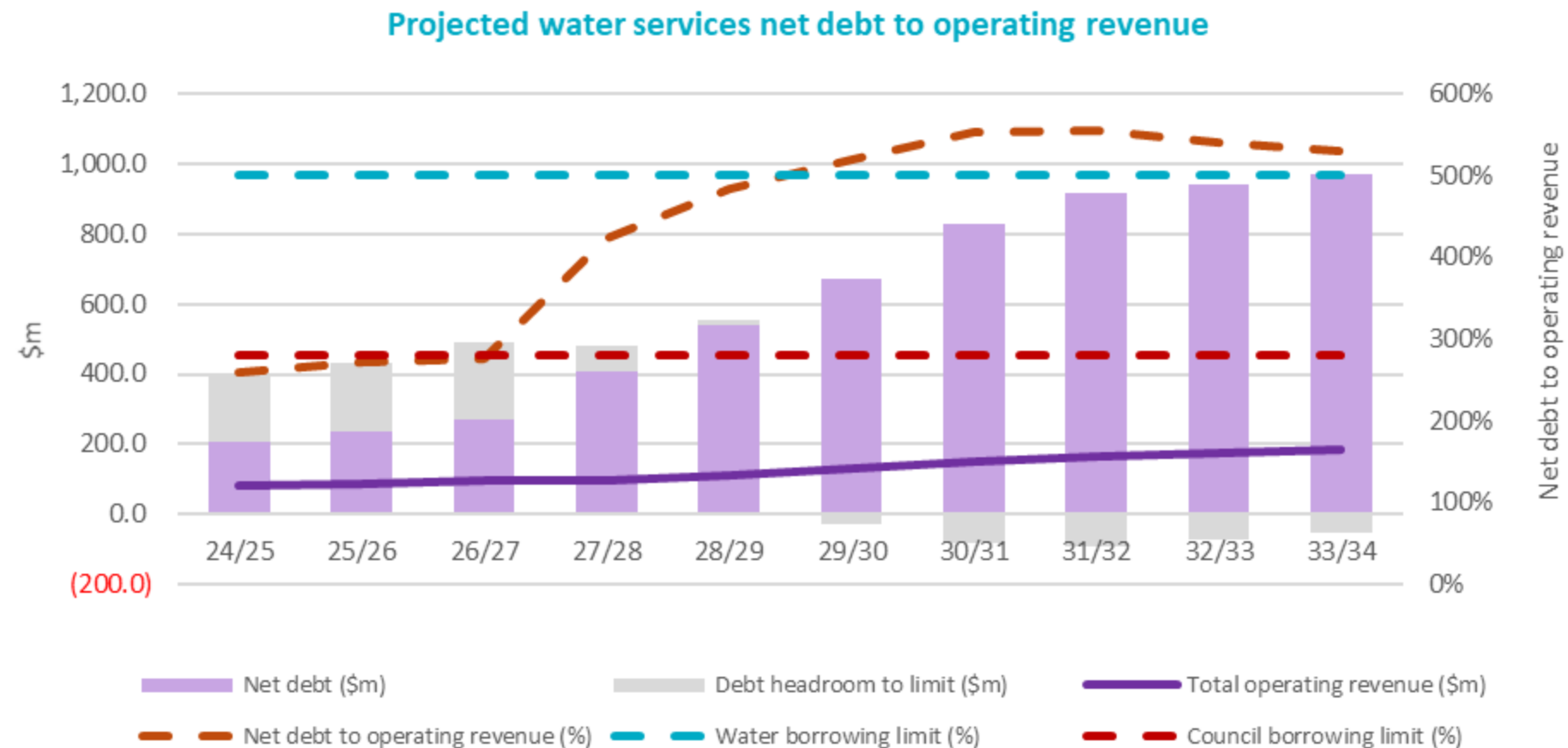
Projected council net debt to operating revenue - PNCC



Projected council net debt to operating revenue - RangDC



Part D: Financing Sufficiency



Part E: Projected financial statements for water services

- This section is also produced by the Morrison Low model, using the same assumptions set for the financial sustainability assessment in Part D.

Next Steps

- The draft WSDP includes updates following a review by DIA
- Simpson Grierson have undertaken a compliance review against the requirement in the Act. We have update again based on their feedback
- Simpson Grierson will issue a Letter of Compliance
- The WSDP will be adopted by each Council in August (HDC 6th Aug; PNCC 13th & RDC 14th)
- Recommendation will seek delegation to the Chief Executives to be able to make minor amendments
- The three Chief Executives will certify the WSDP
- The WSDP must be finalised and submitted to the **DIA by 3rd September 2025.**

Questions

Collaboration Agreement

Collaboration Agreement - Purpose

- Once Councils have resolved to enter a joint WS-CCO, the Collaboration Agreement (also called a Commitment Agreement by some Councils) sets out the framework for Councils to work together to the point the WS-CCO is established.

Collaboration Agreement - Outline

- The agreement outlines how the councils will give effect to the decisions already made to enter into a joint WS-CCO
- It sets out the process that the councils will follow to make the decisions required to establish the WS-CCO
- Signed under delegation by the three council CEs
- The Lead Council is HDC:
 - The signatory to the DIA Establishment Funding Agreement
 - The main point of contact with DIA, including reporting against the contract
 - Responsible for engaging external support (e.g. Simpson Grierson).

Collaboration Agreement – Governance Structure

- Project Oversight Group (POG)
 - Mayors
 - Iwi representation
- Project Steering Group (PSG)
 - CEOs
 - Iwi representation
- Project Team (PT)
 - Executive Director (Lead)
 - Transitions Managers
 - Other members as required
- Workstreams
 - Legal
 - Finance
 - Others TBD

Project Oversight Group

- The role of the POG is to:
 - confirm the overall direction of the project; and
 - address political issues that have been escalated to it by the PSG; and
 - engage with stakeholders; and
 - invite members to join the POG with the agreement of the group; and
 - ensure they are kept informed on the project by information provided from the Project Steering Group
 - Comment on any draft joint submission on behalf of the parties to government in respect of LWDW policy and legislation and
 - Engage with Iwi leadership on the strategic direction of the project.

Questions